

PERFORMANCE AUDIT
OF THE
STATEWIDE CHILD SUPPORT PROGRAM
FAMILY INDEPENDENCE AGENCY
September 2004

“...The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.”

– Article IV, Section 53 of the Michigan Constitution

Audit report information may be accessed at:

<http://audgen.michigan.gov>



Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit

Statewide Child Support Program

Family Independence Agency

Report Number:
43-701-01

Released:
September 2004

The Statewide Child Support Program was developed to improve self-sufficiency of families by requiring noncustodial parents to fulfill their continuing obligation to support their children and to collect child support to offset State and federal public assistance program costs.

Audit Objective:

To assess the effectiveness and compliance with laws, rules, policies, and procedures of the Statewide Child Support Program in establishing child support orders.

Audit Conclusion:

We concluded that the Program was somewhat effective in establishing child support orders. Also, the Program was generally in compliance with laws, rules, policies, and procedures.

Reportable Conditions:

Our assessment disclosed reportable conditions related to actions to establish child support orders (Finding 1), noncooperation sanctions (Finding 2), and child support order recommendation inconsistencies (Finding 3).

~ ~ ~ ~ ~

Audit Objective:

To assess the effectiveness and compliance with laws, rules, policies, and procedures of the Program in enforcing child support orders.

Audit Conclusion:

We concluded that the Program was generally effective in enforcing child support orders to obtain current year child support collections. However, the Program had limited effectiveness in enforcing child support orders for those cases with arrearages. Also, the Program was generally in compliance with laws, rules, policies, and procedures when enforcing child support orders.

Reportable Conclusions:

Our assessment disclosed reportable conditions pertaining to the use of license suspension as an enforcement tool (Finding 4), periodic review of child support

orders (Finding 5), initiation and continuation of enforcement actions (Finding 6), child support arrearage liens (Finding 7), credit bureau reporting (Finding 8), enforcement of health insurance provisions in child support orders (Finding 9), incarcerated noncustodial parents (Finding 10), and case closure (Finding 11).

~ ~ ~ ~ ~

Audit Objective:

To assess FIA's effectiveness in administering the Program.

Audit Conclusion:

We concluded that FIA was generally effective in administering the Program.

Reportable Conditions:

Our assessment disclosed reportable conditions pertaining to staffing level standards (Finding 12), referral of uninsured children (Finding 13), referrals to State-provided work activities (Finding 14),

and Child Support Enforcement System (CSES) health insurance information (Finding 15).

~ ~ ~ ~ ~

Agency Response:

Our audit report contains 15 findings and 18 corresponding recommendations. The Program's preliminary response indicated that it generally agrees with Findings 1 through 3, 5 through 11, 13, and 15 and that it has complied or will comply with the corresponding recommendations. The Program's preliminary response also indicated that it does not agree with Findings 4, 12, and 14. The State Court Administrative Office's (SCAO's) preliminary response indicated that it generally agrees with Findings 1, 2, 5, 7, 10, 11, and 13 through 15 and only partially agrees with Findings 3, 6, 8, 9, and 12. SCAO's preliminary response indicated that it does not agree with Finding 4.

~ ~ ~ ~ ~

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



Michigan Office of the Auditor General
201 N. Washington Square
Lansing, Michigan 48913

Thomas H. McTavish, C.P.A.
Auditor General

Scott M. Strong, C.P.A., C.I.A.
Deputy Auditor General



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
(517) 334-8050
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

September 10, 2004

Marianne Udow, Director
Family Independence Agency
Grand Tower
Lansing, Michigan

Dear Mrs. Udow:

This is our report on the performance audit of the Statewide Child Support Program, Family Independence Agency.

This report contains our report summary; description of program; audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; six exhibits, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

A handwritten signature in black ink, reading "Thomas H. McTavish".

Thomas H. McTavish, C.P.A.
Auditor General

This page left intentionally blank.

TABLE OF CONTENTS

STATEWIDE CHILD SUPPORT PROGRAM FAMILY INDEPENDENCE AGENCY

	<u>Page</u>
INTRODUCTION	
Report Summary	1
Report Letter	3
Description of Program	7
Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up	11
COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES	
Establishing Child Support Orders	15
1. Actions to Establish Child Support Orders	16
2. Noncooperation Sanctions	19
3. Child Support Order Recommendation Inconsistencies	21
Enforcing Child Support Orders	27
4. Use of License Suspension as an Enforcement Tool	29
5. Periodic Review of Child Support Orders	30
6. Initiation and Continuation of Enforcement Actions	32
7. Child Support Arrearage Liens	34
8. Credit Bureau Reporting	36
9. Enforcement of Health Insurance Provisions in Child Support Orders	37
10. Incarcerated NCPs	39
11. Case Closure	40
Administering the Program	42
12. Staffing Level Standards	44

13. Referral of Uninsured Children	45
14. Referrals to State-Provided Work Activities	46
15. CSES Health Insurance Information	48

SUPPLEMENTAL INFORMATION

Exhibit 1 - Total Arrearage by County	52
Exhibit 2 - Friend of the Court Caseload/Staff by County	54
Exhibit 3 - Total Annual Child Support Collections and Cumulative Arrearage Balances (In Millions) For the Five Fiscal Years Ended September 30, 2002	56
Exhibit 4 - Total Current Year Child Support Ordered and Collected (In Millions) For the Five Fiscal Years Ended September 30, 2002	57
Exhibit 5 - Total Prior Years' Child Support Arrearages and Collections (In Millions) in Each Year For the Five Fiscal Years Ended September 30, 2002	58
Exhibit 6 - Total Child Support Cases, Arrearage Cases, and Arrearage Cases With Payments (In Thousands) For the Three Fiscal Years Ended September 30, 2002	59

GLOSSARY

Glossary of Acronyms and Terms	61
--------------------------------	----

Description of Program

Background of Program

The Statewide Child Support Program is an intergovernmental program involving federal, State, and local governments. The Program was developed to improve self-sufficiency of families by requiring noncustodial parents* (NCPs) to fulfill their continuing obligation to support their children and to collect child support* to offset State and federal public assistance program costs.

The federal Child Support Enforcement Program was created in January 1975 under Title IV-D of the Social Security Act of 1974. This law represented the first major federal effort to establish a comprehensive national child support program. The federal program, administered by the Office of Child Support Enforcement* (OCSE), U.S. Department of Health and Human Services (HHS), established federal program standards and guidelines. The federal program also provides the major share of funding for the Statewide Program. Recent changes in federal laws have resulted in significant program changes. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996* (PRWORA) shifted program emphasis from recovering public assistance costs to improving self-sufficiency of families by increasing the amount of child support that gets passed on to families. Also, the Child Support Performance and Incentive Act of 1998 changed the federal government's method for awarding incentive payments to the states. States' incentives are based on five measures: paternity* establishments, cases with support orders, current support collections, past-due support collections, and cost effectiveness.

The Statewide Program is responsible for all functions leading to securing financial support and medical insurance coverage for children from their NCPs. The Program consists of several distinct functions, including locating NCPs, establishing paternity, establishing child support orders*, enforcing child support orders, collecting child support, and distributing child support payments.

In Michigan, the Program operates through the cooperative efforts of three agencies: the Office of Child Support* (OCS), Family Independence Agency (FIA); county prosecuting attorney (PA) offices; and county Friend of the Court* (FOC) offices. In addition, FIA is responsible for the development and implementation of the Statewide

** See glossary at end of report for definition.*

Child Support Enforcement System (CSES), a federally mandated computerized case management and tracking system.

During the audit, the Program reported that it had started implementation of the enhanced Statewide Michigan Child Support Enforcement System (MiCSES 2.4) for use by FIA support specialists, PAs, and FOCs. According to the document "Automated Systems for Child Support Enforcement, A Guide for States," issued by the U.S. Department of Health and Human Services, in order for a system to be certified, the system must be comprehensive, operate statewide, and meet certain standards of efficiency and effectiveness. The certified system was to provide for expanded automation, including the system generation of certain documents and notices, creation of case history files, automated case action, and tracking of critical dates in the process. MiCSES 2.4 was certified on November 24, 2003. Now operational, the automated features in the system should assist the Program in enhancing its effectiveness and efficiency and in meeting federal compliance requirements. An audit of MiCSES 2.4 was not included in the scope of this audit.

Office of Child Support (OCS)

OCS is responsible for administering the Program on a Statewide basis. OCS performs the following administrative functions:

- a. Establishing and implementing the IV-D* State Plan in conformity with federal law and regulation.
- b. Developing Program policies and procedures.
- c. Establishing cooperative agreements with PAs and FOCs.
- d. Coordinating activities between OCS, other FIA offices, PA, and FOC staff.
- e. Providing support-related information and assistance to PAs, FOCs, and IV-D agencies in other states.
- f. Coordinating Statewide activities for federal and State income tax offset*.
- g. Reporting fiscal data.

* See glossary at end of report for definition.

Also, OCS, in conjunction with the Department of Information Technology, maintains and operates CSES/MiCSES, the Michigan Data Warehouse, and the State Parent Locator Service.

The OCS Operations Division is responsible for delivery of support services through support specialists who coordinate child support activities with other county FIA staff, PAs, and FOCs. Support specialists interview clients, identify needed support actions, provide locating services, initiate referrals to the PA or FOC, assist PAs and FOCs in their efforts to establish paternity and secure support, and maintain IV-D case* records.

The OCS Michigan State Disbursement Unit* (MiSDU) is responsible for the centralized collection, distribution, and disbursement of child support payments as required by PRWORA. MiSDU operates under a federal waiver that permits phased-in collection, distribution, and disbursement of child support payments contingent on federal certification of Michigan's CSES/MiCSES. MiSDU was not included within the scope of this audit as the Office of the Auditor General conducts a separate audit of MiSDU in accordance with Section 400.238 of the *Michigan Compiled Laws*.

Prosecuting Attorney (PA)

PAs are the chief law enforcement officers in county government. FIA contracts with county governments for PA services related to child support. PAs are primarily responsible for establishing paternity and securing court-ordered child support from NCPs. PAs represent either the recipient of public assistance or FIA in initiating actions to establish paternity and/or secure child support. PAs also provide these services to certain other clients who do not receive public assistance. In eight counties, FIA contracts with the county FOC to perform services normally performed by the PA.

Friend of the Court (FOC)

FIA contracts with county governments for FOC services. FOCs are an operational arm of the judicial circuit courts. There is at least one FOC for each of the 57 circuit courts in the State. An FOC's primary responsibility is to enforce child support orders of the circuit courts. FOC functions include child support investigations, recommendations, and modifications; support enforcement, including medical support; certain cash receipting and distribution functions; and child custody, visitation, and mediation. Our review did not include child custody, visitation, or mediation functions. The Friend of the

* See glossary at end of report for definition.

Court Act (Sections 552.501 - 552.535 of the *Michigan Compiled Laws*) and Michigan Court Rules prescribe the powers and duties of the FOCs.

The State Court Administrative Office (SCAO), under supervision of the Supreme Court, is responsible for developing and recommending guidelines for the conduct, operations, and procedures for the FOC offices.

Other Program Information

During fiscal year 2001-02, the Program established 19,892 child support orders and collected approximately \$1.4 billion in child support. As of September 30, 2002, the Program had cumulative child support arrearages* of approximately \$7.7 billion and approximately 851,000 cases with child support orders. The Program expended approximately \$160.0 million from federal, State, and county sources during fiscal year 2001-02. The Program employed 197 OCS full-time equated staff and had 2,075 contracted county PA and FOC full-time equated staff as of September 30, 2002.

* See glossary at end of report for definition.

Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our performance audit* of the Statewide Child Support Program, Family Independence Agency (FIA), had the following objectives:

1. To assess the effectiveness* and compliance with laws, rules, policies, and procedures of the Program in establishing child support orders.
2. To assess the effectiveness and compliance with laws, rules, policies, and procedures of the Program in enforcing child support orders.
3. To assess FIA's effectiveness in administering the Program.

Audit Scope

Our audit scope was to examine the program and other records of the Statewide Child Support Program. Except as discussed in the following paragraph, our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

The Statewide Child Support Enforcement System, a federally mandated computerized case management and tracking system, and the Michigan State Disbursement Unit, which is responsible for centralized collection, distribution, and disbursement of child support payments, were not included within the scope of this audit.

We included, as supplemental information in this report, a summary of total arrearage by county for the five fiscal years ended September 30, 2002 and a summary of the Friend of the Court (FOC) caseload/staff by county for the three calendar years ended December 31, 2002. However, our audit was not directed toward expressing an opinion on the accuracy of this information and, accordingly, we express no opinion.

* See glossary at end of report for definition.

Audit Methodology

Our audit procedures, conducted from June 2001 through January 2003, included an examination of Program records primarily for the period October 1, 1997 through December 31, 2002.

To accomplish our audit objectives, we interviewed Program staff, including FIA, prosecuting attorney (PA), and FOC county office staff in selected counties. We reviewed applicable State statutes, federal regulations, and State and county policies and procedures. We visited FIA, PA, and FOC county offices in Jackson, Kalamazoo, Macomb, Sanilac, and Wayne Counties to observe and evaluate Program activities.

In connection with our first objective, we selected a random sample of cases referred for child support services. We assessed the Program's efforts to establish initial child support orders and the computation and effective date of initial child support amounts. We assessed the Program's efforts to locate noncustodial parents and evaluated controls relating to establishing child support orders, and we reviewed Program actions related to the collection of confinement expenses*. Further, we assessed the Program's compliance with applicable statutes, regulations, policies, and procedures in establishing initial child support orders.

In connection with the second objective, we selected a second random sample of cases to assess the Program's efforts to collect and distribute child support payments and to enforce child support orders with significant arrearages. We assessed enforcement tools* and actions taken for cases with significant arrearages. We examined the Program's efforts to review child support amounts, modify support orders, and close child support cases on a timely basis. We evaluated the Program's enforcement of the health insurance provision of support orders. Also, we assessed the Program's compliance with applicable statutes, regulations, policies, and procedures in enforcing child support orders.

In connection with the third objective, we analyzed the organizational structure of the Program and FIA's oversight of the Program. Also, we examined the use of federal incentive funds and the use of incentives provided to birthing hospitals to encourage paternity establishment.

* See glossary at end of report for definition.

Agency Responses and Prior Audit Follow-Up

Our audit report contains 15 findings and 18 corresponding recommendations. The Program's preliminary response indicated that it generally agrees with Findings 1 through 3, 5 through 11, 13 and 15 and it has complied or will comply with the corresponding recommendations. The Program's preliminary response also indicated that it does not agree with Findings 4, 12, and 14. The State Court Administrative Office's (SCAO's) preliminary response indicated that it generally agrees with Findings 1, 2, 5, 7, 10, 11, and 13 through 15 and only partially agrees with Findings 3, 6, 8, 9, and 12. SCAO's preliminary response indicated that it does not agree with Finding 4.

The agency preliminary response that follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require FIA to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

We released our prior performance audit of the Statewide Child Support Program, Department of Social Services (#4370194), in November 1995. Within the scope of this audit, we followed up 35 of the 44 prior audit recommendations. The Department complied with 18 of the 35 prior audit recommendations. We repeated 5 prior audit recommendations and the other 12 prior audit recommendations (5 of which were combined with other recommendations) were rewritten for inclusion in this audit report.

COMMENTS, FINDINGS, RECOMMENDATIONS,
AND AGENCY PRELIMINARY RESPONSES

ESTABLISHING CHILD SUPPORT ORDERS

COMMENT

Background: Support specialists in the Office of Child Support (OCS), Family Independence Agency (FIA), and the prosecuting attorney(s) (PA) in each county are primarily responsible for establishing initial child support orders. When anyone requests child support services, they are referred to a support specialist. The support specialist determines the circumstances of each case, provides locate* services, and initiates referrals to the PA. In some cases the support specialist may attempt to obtain voluntary acknowledgment of paternity from the father. Once sufficient information about the case is known, the case is forwarded to the PA for further support action.

The PA is responsible for the legal action to establish paternity and the child support order, except in eight counties where FIA contracts with the county Friend of the Court (FOC) to perform services normally performed by the PA. Establishing paternity requires the legal determination of fatherhood. Paternity must be established before child support can be ordered. Paternity is automatic if the parents were married when the child was conceived. In cases where the parents were not married, the father may voluntarily acknowledge paternity; otherwise, genetic testing is used to determine paternity. After paternity is established, the PA determines the income of both parents and recommends a child support amount to the court. The support amount must be computed using the Michigan Child Support Formula Manual unless conditions exist to justify deviating from the Manual.

Audit Objective: To assess the effectiveness and compliance with laws, rules, policies, and procedures of the Statewide Child Support Program in establishing child support orders.

Conclusion: We concluded that the Program was somewhat effective in establishing child support orders. Also, the Program was generally in compliance with laws, rules, policies, and procedures. Our assessment disclosed reportable conditions* related to actions to establish child support orders (Finding 1), noncooperation sanctions (Finding 2), and child support order recommendation inconsistencies (Finding 3).

* See glossary at end of report for definition.

FINDING

1. Actions to Establish Child Support Orders

The Program frequently did not perform necessary actions to establish child support orders and, when support orders were established, Program actions frequently were not performed in a timely manner.

We reviewed work completed by support specialists, family independence specialists, and PAs to establish child support orders in five counties. We selected a random sample of 206 cases in the five counties that required support order action because the children were added to a public assistance grant. Our review of these cases disclosed:

- a. The Program did not establish a support order for 75 (36%) of the 206 cases. The Program was unable to establish support orders for 19 (25%) of these 75 cases for reasons including the incarceration of the noncustodial parent* (NCP) and noncooperation by the custodial parent*. For the remaining 56 (75%) of these 75 cases, the Program either did not initiate or did not complete appropriate required actions. As a result, support orders were not established and child support was not collected. For example:

- (1) Support specialists did not contact the appropriate locate resources or make appropriate evaluations of responses for 12 (19%) of 62 cases that required location of the absent parent.

OCS Policy Manual item 410 requires support specialists to contact all appropriate locate resources and evaluate the responses after determining that location is necessary. In 11 of the cases, the support specialist did not initiate any actions. In 1 case, the support specialist obtained the name of the absent parent but took no further action for 22 months and the case was closed. Children in each of these cases were receiving public assistance, but because the support specialist failed to initiate appropriate locate actions, child support was never ordered and, in some instances, the State continued to support the children. From November 1997 through December 2002, the State paid approximately \$47,000 to support children included in 7 of the 12 cases.

* See glossary at end of report for definition.

- (2) Support specialists did not make subsequent locate attempts in 16 (70%) of 23 cases where the absent parent was not located during the initial attempt.

OCS Policy Manual item 410 requires the support specialist to initiate quarterly attempts using, at a minimum, automated State resources if initial location efforts fail. Also, the support specialist is required to use the Federal Parent Locator Service (FPLS) on an annual basis if initial locate efforts fail. There was no evidence that the support specialist used FPLS in any of the 16 cases.

- (3) Support specialists did not search the Michigan Central Paternity Registry database in 14 (32%) of 44 cases where paternity had not been established.

Title 45, Part 303, section 5 of the *Code of Federal Regulations (CFR)* requires the support specialist to search this Statewide database for a voluntary acknowledgment if paternity establishment is necessary. Subsequent to our request, OCS determined that the legal father was on the Michigan Central Paternity Registry for one case. However, the support specialist did not forward this case to the PA to establish the child support order.

- (4) One FOC county office did not have a record of receiving 11 (17%) of 63 child support referrals that we reviewed. Because child support orders were not established in these 11 cases, the State and the federal government could not recover the cost of public assistance paid to these families. FIA paid approximately \$15,000 in cash assistance and approximately \$50,000 for childcare for these children. Establishing paternity and child support orders for these cases may have resulted in the State and federal government recovering some or all of the \$65,000 from NCPs.

FOC county office staff informed us that the lost cases occurred because there was a problem with referred cases that were placed in a hold file for additional research upon receipt. County office staff also informed us that there are a substantial number of lost cases. Further, Child Support Enforcement System (CSES) support staff informed us that the problem has been identified, but it has not yet been corrected. We also

determined that the FIA support specialists did not follow up on 9 of the 11 cases noted in the preceding paragraph as being referred to the county office as required by OCS Policy Manual item 200. Therefore, there was no effort to establish either paternity or child support orders for these cases.

b. The Program did not establish support recommendations in a timely manner for 131 (64%) of the 206 cases. As a result, the NCP did not have to pay any child support that may have been ordered by the court and collected if the actions had been performed in a timely manner. For example:

- (1) FIA did not establish any standard of promptness for referrals. As a result, family independence specialists, in 21 (17%) of 127 applicable cases, made referrals to the support specialist from 2 to 55 months after the effective date of a child being added to a public assistance grant.
- (2) Support specialists did not monitor the child support referral sent to the PA within the required time frames in 79 (81%) of 97 applicable cases.

OCS Policy Manual item 200 requires that support specialists follow up on cases referred to the PA at least quarterly until action on the referral has been completed and reported back from the PA. For these 79 cases, support specialists did not follow up and the PA did not notify the support specialist until an average of 258 days after the initial referral.

- (3) County PA staff either did not promptly serve the NCP with documents necessary to establish child support or did not document unsuccessful attempts in 19 (15%) of 128 applicable cases.

Federal regulation 45 *CFR* 303.4 requires that the Program complete service of process necessary to commence proceedings to establish a support order and/or establish paternity (or document unsuccessful attempts) within 90 calendar days of locating the absent parent.

The OCS Policy Manual and federal program regulations contain procedures and requirements to be followed when attempting to locate parents, establish paternity, and establish support orders. Support specialists and PA staff perform these functions.

Subsequent to the end of our audit fieldwork, FIA completed the implementation of the Michigan Statewide Child Support Enforcement System (MiCSES 2.4). The Program has stated that many of the causes of the exceptions have been addressed through the implementation of MiCSES 2.4, which was certified on November 24, 2003. The certified system was to provide for enhanced automation, including the system generation of certain required documents and notices, creation of case history files, and the tracking of critical dates in the process.

RECOMMENDATION

WE AGAIN RECOMMEND THAT THE PROGRAM PERFORM NECESSARY ACTIONS TO ESTABLISH CHILD SUPPORT ORDERS AND PERFORM THESE ACTIONS IN A TIMELY MANNER.

AGENCY PRELIMINARY RESPONSE

FIA

The Program agrees with this recommendation and informed us that it has already complied. The Program stated that the audit period primarily covered the period October 1, 1997 through December 31, 2002, which is prior to the full Statewide implementation of MiCSES 2.4. The Program also stated that in MiCSES 2.4, there is an alert system that tracks case management activities and notifies the support specialist when action needs to be taken on a particular case. The support specialist's manager can also see the alerts that are processed or pending for additional processing accuracy. The problem of lost cases is corrected by the fact that there is no longer a paper process; it is now all automated. The forwarding and monitoring of the child support referral to the PA is now an automated process in MiCSES 2.4.

SCAO

The State Court Administrative Office (SCAO) agrees with this recommendation.

FINDING

2. Noncooperation Sanctions

FIA did not sanction some public assistance recipients who did not cooperate with Program staff in establishing paternity and child support orders in accordance with federal law.

As a result, FIA inappropriately paid approximately \$194,000 in public assistance related to the 11 cases with uncooperative recipients. Also, because of these uncooperative recipients, the Program could not establish paternity and a child support order for 8 of the 11 cases.

Our review of 206 randomly selected cases that required support action disclosed that the recipient failed to cooperate with child support specialists in 75 (36%) of the cases. Recipients were not sanctioned as required in 11 (15%) of those 75 cases. Specifically:

- a. Uncooperative recipients continued to receive cash assistance payments in 10 of the 11 cases.

Program Eligibility Manual item 255 requires the family independence specialist to close a cash assistance case if the client still refuses to cooperate after being sanctioned for four consecutive months. We determined that assistance payments continued, even though the recipients remained uncooperative, for at least an additional 12 months in 7 cases (including one case for which payments continued for 41 months) and from 1 to 6 months in 3 cases. For these 10 cases, FIA paid approximately \$76,000 in assistance payments.

- b. Uncooperative recipients continued to receive childcare payments in 7 of the 11 cases.

Program Eligibility Manual item 255 requires the family independence specialist to terminate childcare benefits immediately after a client is deemed uncooperative. After support specialists reported uncooperative recipients to a family independence specialist, payments continued for at least 9 months in 6 cases, including one case that continued to receive payments for an additional 43 months. Payments continued in the remaining case for 2 months. For these 7 cases, FIA paid approximately \$118,000 in childcare benefits for ineligible recipients.

FIA's effective use of sanctions is critical to ensure that the Program obtains cooperation from recipients of public assistance.

Title 42, Section 608(a)(2) of the *Code of Laws of the United States (USC)* requires public assistance recipients to cooperate with the state in establishing paternity,

establishing a support order, and locating the NCP as a condition of eligibility. If public assistance recipients do not cooperate, public assistance benefits must be reduced or terminated.

FIA Combined IV-D Policy Manual item 115 provides guidance for support specialists to determine when a public assistance recipient has not cooperated. Support specialists forward findings of noncompliance to family independence specialists to initiate sanctioning procedures. Sanctioning results in the reduction or elimination of the recipient's public assistance grant. If the recipient subsequently cooperates, the noncooperation sanction is removed and the recipient can again receive the full amount of assistance.

RECOMMENDATION

We recommend that FIA sanction public assistance recipients who do not cooperate with Program staff in establishing paternity and child support orders in accordance with federal law.

AGENCY PRELIMINARY RESPONSE

FIA

The Program agrees with this recommendation and will work with the Family Independence Services Administration to determine what role/responsibility the Program has in clients not being sanctioned. The Program will then correct any deficiencies that it can control.

SCAO

The SCAO agrees with this recommendation.

FINDING

3. Child Support Order Recommendation Inconsistencies

The Program did not provide guidance to help ensure consistent county Program staff recommendations for the establishment of the effective date of initial child support orders. Also, the Program did not ensure that all county Program staff made recommendations for the reimbursement of confinement expenses* in compliance with the Michigan Child Support Formula Manual's guidance. Further, the Program needs to improve its guidance to help ensure consistent county

* See glossary at end of report for definition.

Program staff recommendations for the establishment of, and adjustments to, support orders when the NCP has little or no ability to pay or does not provide income information.

Ensuring that county Program staff make consistent recommendations for the establishment of the effective date of initial child support orders and child support order amounts and the reimbursement of confinement expenses would result in more equitable treatment of Program participants.

Most actions to establish a child support order when the mother and father are not married are filed under either the Paternity Act or the Family Support Act. If the father has not acknowledged paternity, the Paternity Act applies; if the father has acknowledged paternity, the Family Support Act applies. The Family Support Act does not address the effective date of initial support or retroactive support, whereas the Paternity Act permits judicial discretion in establishing the effective date of the initial child support order, including back support to the date the child was born.

Confinement expenses consist of a mother's hospitalization and birthing costs. Section 722.712(1) of the *Michigan Compiled Laws* states that the father is liable to pay the expenses of the mother's confinement. In addition, Section 722.717(2) of the *Michigan Compiled Laws* states that a child support order shall also provide for the payment of necessary expenses incurred by or for the mother in connection with her confinement. The Michigan Child Support Formula Manual states that recommendations for the reimbursement of confinement expenses should be based on the total amount owed at the time of the review. The weekly expense reimbursement amount should not be less than \$5 or more than the confinement expenses' pro-rata share of the total amount of the NCP's arrearage owed.

We reviewed initial child support orders, confinement expense reimbursement, and the establishment and adjustment of child support orders at 5 county Program offices:

- a. Our review of 118 (56 under the Paternity Act and 62 under the Family Support Act) initial child support orders at 5 county Program offices disclosed:
 - (1) County Program staff recommendations to establish the effective date of initial child support orders under the Paternity Act were not consistent.

Two of the county offices recommended that orders be effective as of the date that the child was born, 2 other county offices recommended that orders not be effective as of the date that the child was born, and the remaining county office recommended that the order be effective as of the date that the child was born only if the child was receiving public assistance.

The following table summarizes the basis on which the effective dates of the child support orders were established for the 56 orders reviewed under the Paternity Act:

Basis	Number of Cases
Retroactive to date of:	
Birth	13
Public assistance starting	2
Complaint*	3
Service*	27
Genetic testing	2
No retroactive support	9
Total	56

- (2) County Program office recommendations to establish the effective date of initial child support orders under the Family Support Act were not consistent.

Two county offices did not recommend retroactive support; 1 county office recommended the support order be effective as of either the date that the child was born or the date that the complaint was signed; 1 county office recommended that the support order be effective as of the date that the complaint was signed; and the remaining county office recommended that the support order be effective as of the date that the child was born only if the child was receiving public assistance.

* See glossary at end of report for definition.

The following table summarizes the basis on which the effective dates of the child support orders were established for the 62 orders reviewed under the Family Support Act:

Basis	Number of Cases
Retroactive to date of:	
Birth	5
Public assistance starting	5
Complaint	12
Service	11
No retroactive support	29
Total	62

b. Our review of NCP confinement expense reimbursement at 5 county Program offices disclosed significant inconsistencies. Specifically:

- (1) The Program did not ensure that county Program staff included all known confinement expenses when developing recommendations for the reimbursement of confinement expenses.

Two county offices recommended that the support order include reimbursement for the actual amount of confinement expenses when known. The other 3 county offices recommended that the support order include reimbursement for the actual amount of confinement expenses up to a maximum of \$3,000 in 2 counties and \$4,000 in 1 county. Inconsistent recommendations for the reimbursement of confinement expenses could require NCPs to reimburse an amount other than the actual confinement expenses and could result in a different reimbursement amount based on the county in which the court order was established.

- (2) The Michigan Child Support Formula Manual did not provide guidance for determining the recommendation for the reimbursement of confinement expenses when the amount of confinement expenses was not known at the time of developing the recommended support order amount.

When the actual amount of the confinement expenses was not available at the time the initial support order was established, 2 county offices

recommended a predetermined maximum amount (\$3,000 in one county and \$4,000 in the other) in the initial support order. Support orders resulting from these recommendations required the NCP to begin reimbursing confinement expenses immediately. If necessary, the county offices would recommend an amendment to the support order after determining the actual confinement expense. The other 3 county offices recommended that NCPs not begin reimbursing confinement expenses until the actual amount was known. In these cases, the collection of confinement expenses could be significantly delayed as it could take up to one year to identify the expenses.

- (3) The Program did not ensure that County Program staff complied with the Michigan Child Support Formula Manual guidance in determining the amount of confinement expenses to be included in the recommended monthly support order amount.

Four county offices recommended that NCPs reimburse confinement expenses on a monthly basis. Only amounts not paid as scheduled were considered past due and included in an NCP's arrearage balance. However, 1 county office considered the entire amount of confinement expenses, up to a maximum of \$3,000, due in full at the time the support order was established. As a result, if not paid in full, the county office considered confinement expenses as an arrearage and subject to various enforcement actions.

- c. Our review of the establishment and adjustment of child support order amounts at the 5 county Program offices visited disclosed:

- (1) The Michigan Child Support Formula Manual did not provide sufficient guidance to ensure that county office recommendations for the establishment and adjustment of support order amounts when the NCP had little or no ability to pay were consistent.

In 4 of the 5 county offices visited, staff recommended that the court suspend child support when the NCP was incarcerated and did not have the ability to pay. The remaining county office automatically established a minimum amount of \$8 per week when the NCP was incarcerated and had no ability to pay.

Also, 3 county offices imputed income using the State's minimum wage and 40 hours of work per week for unemployed NCPs, which resulted in a recommendation of approximately \$20 to \$25 per week in child support for one child. One county office imputed income at \$7 per hour for 40 hours of work per week for unemployed NCPs, which resulted in a recommendation of approximately \$60 per week in support for one child. The other county office recommended an arbitrarily established amount of \$50 per week in child support for one child when the NCP was unemployed.

- (2) The Michigan Child Support Formula Manual guidance did not ensure that county offices made recommendations for the establishment of child support amounts on a consistent basis when the NCP did not provide income information.

Two of the 5 county offices imputed income using the State's minimum wage and 40 hours of work per week, which resulted in a recommendation of approximately \$20 per week in child support for one child. Two county offices recommended an arbitrarily established amount of child support for one child of \$50 and \$100 per week, respectively. The other county office imputed income at \$7 per hour for 40 hours of work per week, which resulted in a recommendation of approximately \$60 per week in support for one child.

RECOMMENDATIONS

We recommend that the Program provide guidance to help ensure consistent county Program staff recommendations for the establishment of the effective date of initial child support orders.

We also recommend that the Program ensure that all county Program staff make recommendations for the reimbursement of confinement expenses in compliance with the Michigan Child Support Formula Manual's guidance.

We further recommend that the Program improve its guidance to help ensure consistent county Program staff recommendations for the establishment of, and adjustments to, support orders when the NCP has little or no ability to pay or does not provide income information.

AGENCY PRELIMINARY RESPONSE

FIA

The Program agrees that guidelines could be useful to judicial officers in exercising their discretion and informed us that it has complied. The Program stated that the Program Leadership Group, which includes representation from FOC, SCAO, Prosecuting Attorney's Association of Michigan (PAAM), the Department of Information Technology (DIT), and OCS is designed to begin the process of making the practices and procedures consistent Statewide. However, the Program maintains that policies will be developed to provide uniform practices and procedures that will still provide for judicial discretion. Judicial discretion has been and will continue to be a part of the practices and procedures within the program.

SCAO

The SCAO indicated that State law (Section 552.517(2) of the *Michigan Compiled Laws*) requires the FOC to know the actual income of the parties before it may impute income. Therefore, the premise of paragraph (2) of part c. of the finding is inconsistent with State law, which allows the court to use its discretion to set support when a party's actual income is not known. The SCAO noted, however, that Act 207, P.A. 2004, effective June 30, 2005, will allow FOCs to impute income to parties according to guidelines established by the child support formula when they fail to provide information.

Although the SCAO agrees that guidelines are useful to the courts, the guidelines in the formula cannot and should not eliminate judicial discretion. The SCAO informed us that it conducted Statewide surveys from 1998 to 2000 that indicated, on average, judges and referees followed the Child Support Guideline manual formula 85% of the time and FOC staff followed the formula 92% of the time during the same period. The SCAO stated that when judges or referees deviate from the formula, they are required by law to explain why they exercised their discretion.

ENFORCING CHILD SUPPORT ORDERS

COMMENT

Background: The 65 FOC offices are responsible for enforcing child support orders of the circuit court. FOCs are generally located in each county, although some FOCs serve more than one county. FOC functions include: receipt of child support and

distribution to appropriate payees*; periodic review of support orders to determine the propriety of the support amount and make recommendations to the court for modification of the support amount; enforcement for those cases in which child support is in arrears; enforcement for other requirements of the child support order, such as the maintenance of health insurance for the child(ren); and performance of the custody, visitation, or mediation functions. Our review did not include custody, visitation, or mediation functions.

Child support payments for all cases are paid to the Michigan State Disbursement Unit (MiSDU) unless otherwise ordered by the court. For non-public assistance cases, the FOC or MiSDU distributes the collected child support to the custodial parent or designated legal guardian. For custodial parents who are currently collecting public assistance, the FOC or MiSDU allocates the collected child support to FIA, the federal government, and the custodial parent based on a complex distribution formula established by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), commonly known as the federal Welfare Reform Act of 1996. Families formerly on public assistance have first priority at receiving child support payments to help them remain off assistance. FIA and the federal government will share any remaining funds as partial reimbursement for public assistance payments previously made to these families.

Audit Objective: To assess the effectiveness and compliance with laws, rules, policies, and procedures of the Program in enforcing child support orders.

Conclusion: We concluded that the Program was generally effective in enforcing child support orders to obtain current year child support collections. However, the Program had limited effectiveness in enforcing child support orders for those cases with arrearages. Also, the Program was generally in compliance with rules, policies, and procedures when enforcing child support orders. Our assessment disclosed reportable conditions pertaining to the use of license suspension as an enforcement tool (Finding 4), periodic review of child support orders (Finding 5), initiation and continuation of enforcement actions (Finding 6), child support arrearage liens (Finding 7), credit bureau reporting (Finding 8), enforcement of health insurance provisions in child support orders (Finding 9), incarcerated NCPs (Finding 10), and case closure (Finding 11).

* See glossary at end of report for definition.

FINDING

4. Use of License Suspension as an Enforcement Tool

The Program should pursue expanding the use of license suspensions Statewide as an enforcement tool for collecting arrearages and encouraging NCPs to be current in their support payments.

The Program's Statewide use of license suspensions as an enforcement tool should significantly increase collections as a result of both actual suspensions and the increased threat of suspensions.

Federal law 42 USC 666(a) requires that states have in effect laws requiring the use of certain specified procedures to improve Program effectiveness. Section 666(a)(16), effective October 1, 1996, requires that the Program establish procedures to restrict the use of driver licenses, professional and occupational licenses, and recreational licenses of NCPs who owe overdue support. Act 239, P.A. 1996, as amended, effective January 1, 1997, stipulates that FOCs may petition the court for a court order to suspend a delinquent NCP's driver license, professional or occupational license, recreational license, or any combination thereof.

Our review of enforcement activities at five FOCs disclosed that the FOCs did not suspend licenses for 54 (95%) of 57 applicable child support cases with significant arrearages.

OCS statistics indicate that the Program's use of license suspensions has increased significantly over the past four fiscal years:

Fiscal Year Ended September 30	Number of License Suspensions Initiated	Actual Number of License Suspensions	Number of Counties Attempting Suspension
1999	451	289	16
2000	2,094	1,341	11
2001	2,754	1,687	13
2002	13,206	2,990	14

However, a majority of the license suspensions were initiated by two counties in fiscal years 1998-99, 1999-2000, and 2000-01, and by one county in fiscal year 2001-02. Also, the significant increase from fiscal year 2000-01 to 2001-02 was mostly the result of initiations in one county.

While the effectiveness of license suspensions on child support collections is difficult to quantify, more consistent application of license suspensions Statewide could have a positive impact on collections. A federal evaluation of Colorado's driver license suspension initiative in 1998 concluded that license suspension and revocation was an effective enforcement tool for moving delinquent NCPs into compliance. The evaluation also indicated that Maine had collected more than \$82 million in child support from 18,007 delinquent NCPs targeted for license revocation in a four-and-a-half-year period. Of the 1,070 individuals whose licenses Maine revoked during the period, more than 600 have come into compliance with their support order.

RECOMMENDATION

We recommend that the Program pursue expanding the use of license suspensions Statewide as an enforcement tool for collecting arrearages and encouraging NCPs to be current in their support payments.

AGENCY PRELIMINARY RESPONSE

FIA

The Program disagrees with this recommendation. The Program is not aware of evidence that assesses the cost-effectiveness of these activities. The Program stated that the reference to other states' efforts is not conclusive because there is no indication that those states did not sacrifice other enforcement efforts to use license suspension or combine license suspension with other enforcement remedies. The Program also stated the MiCSES 2.4 maintains automated data interchanges with the Department of Labor and Economic Growth (formerly the Department of Consumer and Industry Services) and the Department of State.

SCAO

The SCAO disagrees with this recommendation.

FINDING

5. Periodic Review of Child Support Orders

The Program did not ensure the review of all child support orders for active public assistance (Family Independence Program [FIP]) cases within the time period required by statute.

FOC staff have the ability to generate a CSES report to identify active FIP cases in need of review. However, our review of periodic child support order reviews at the five FOCs visited disclosed that FOCs did not conduct required periodic child support order reviews in 13 (32%) of 41 applicable cases. One FOC stated that it did not comply with the statute because it could not identify FIP cases that needed to be reviewed. This FOC reviewed child support orders for FIP cases only if the custodial parent or NCP requested a review.

Section 552.517(1)(a) of the *Michigan Compiled Laws* states that an FOC shall review the child support order not less than once each 24 months if a child is being supported in whole or in part by public assistance. Child support order reviews for active FIP cases are to help ensure that the child support amount is appropriate based on the custodial parents' and NCPs' income and other factors. If a review determines that a change in the child support amount is appropriate, the FOC petitions the court for a child support order modification. For active FIP cases, the State and federal government share any support amounts remitted by the NCP as reimbursement for FIP benefits previously paid to the custodial parent.

In our prior audit, we also recommended that the Program conduct periodic child support order reviews. In response, FIA stated that it agreed with the need to conduct periodic reviews.

RECOMMENDATION

WE AGAIN RECOMMEND THAT THE PROGRAM ENSURE THE REVIEW OF ALL CHILD SUPPORT ORDERS FOR ACTIVE FIP CASES WITHIN THE TIME PERIOD REQUIRED BY STATUTE.

AGENCY PRELIMINARY RESPONSE

FIA

The Program agrees with this recommendation and has informed us that the design of MiCSES 2.4 includes automatic selection of cases for review, so as to comply. The Program stated that the enforcement worker is alerted as various time frames have lapsed.

SCAO

The SCAO concurs with the FIA response and notes that the Program has sought legislation to match Michigan requirements with federal requirements of three-year reviews. That legislation became Act 207, P.A. 2004, effective June 30, 2005. The

legislation also would streamline the review process to enable the Program to complete reviews more quickly.

FINDING

6. Initiation and Continuation of Enforcement Actions

The Program could improve the timeliness of its enforcement action on arrearage cases. In addition, the Program should continue to take other enforcement actions for child support cases after the issuance of a bench warrant.

Timely and continuing enforcement actions help to increase the probability of collection.

Since our prior audit, the Program's enforcement actions have improved as CSES automated some activities, such as parent locate and tax offset. However, we identified several child support cases that lacked timely enforcement action. We determined that FOCs did not document required initial enforcement actions within the 30-day requirement on 5 (8%) of 60 current child support cases. Also, for 40 (42%) of 95 sampled cases with an arrearage in excess of \$5,000, the FOC's enforcement action either was not timely or included little or no enforcement activities other than tax offset. In 21 (53%) of these 40 cases, FOCs performed minimal or no enforcement activity for more than a year.

Usually, after other enforcement actions have failed, an FOC will recommend, and a court will issue, a bench warrant when an NCP fails to make child support payments and does not appear for a hearing or court appointment to explain the lack of payments. The bench warrant may motivate the NCP to voluntarily appear in court and make an immediate payment or establish a payment plan to eliminate the arrearage. In these cases, the court will cancel the warrant. If the NCP does not appear, the warrant authorizes law enforcement agencies throughout the State to arrest and detain the NCP.

Our review disclosed that for 30 (32%) of the 95 cases, for which a bench warrant had been issued, FOCs generally discontinued performing other enforcement actions, except for tax offset, after the issuance of the warrant. Also, when a bench warrant was issued, CSES identified the case as being actively enforced. Therefore, other enforcement actions, such as locate activities, license suspension, and property identification that were designed to improve Program effectiveness, required manual intervention.

Section 552.511(1) of the *Michigan Compiled Laws* requires that the Program initiate enforcement when an arrearage equals one month's child support. Also, federal regulation 45 *CFR* 303.6 requires the Program to take appropriate enforcement action ". . . within no more than 30 calendar days of identifying a delinquency . . . or the location of the noncustodial parent, whichever occurs later." After identifying an arrearage, FOCs must initiate immediate and, when necessary, ongoing enforcement actions. Enforcement actions should include the use of all enforcement tools available, including locate services, direct and indirect contacts, liens, license suspension, show cause hearings, bench warrants, and/or incarceration.

Subsequent to the end of our audit fieldwork, FIA completed the implementation of MiCSES 2.4. The Program has stated that many of the causes of the exceptions have been addressed through the implementation of MiCSES 2.4. The certified system was to provide for enhanced automation, including automating routine case functions, keeping the worker informed of significant case events, monitoring case activity, providing case status information, and ensuring timely case action.

RECOMMENDATIONS

WE AGAIN RECOMMEND THAT THE PROGRAM IMPROVE THE TIMELINESS OF ITS ENFORCEMENT ACTION ON ARREARAGE CASES.

We also recommend that the Program continue to take other enforcement actions for child support cases after the issuance of a bench warrant.

AGENCY PRELIMINARY RESPONSE

FIA

The Program agrees with these recommendations and informed us that it has already complied. The Program stated that the audit period primarily covered the period October 1, 1997 through December 31, 2002, which is prior to the full Statewide implementation of MiCSES 2.4. MiCSES 2.4 automates and documents many of the enforcement activities that are taken by the FOC. The system helps monitor the enforcement activities to ensure that they are implemented timely and documents the actions that did take place. Also, enforcement through financial institution data match (FIDM), passport denial, lottery, tax offset, and income withholding notice (IWN) continues after a bench warrant is issued.

The Program believes there should have been an evaluation of the effectiveness of the tax offset for the 40 of 95 cases. If the tax offset was successful, then possibly

no other enforcement action was necessary. The Program stated that if the 40 cases are eliminated, then only 21 (22%) of 95 did not meet the time requirement. Seventy-eight percent did meet the time requirement, which is in compliance with the federal requirements. The Program indicates that in the other enforcement action mentioned, the time requirements were met in 92% of the cases, well within the federal requirements.

SCAO

The SCAO agrees that the Program can improve its performance; however, federal standards are that 75% of the cases must meet requirements to be in compliance. The SCAO indicated that the auditors documented that 92% of the cases meet requirements.

The SCAO disagrees that all enforcement tools should be used on a case. Local offices should have discretion not to use remedies that are not cost-effective. The SCAO believes that the statement that no action other than tax offset existed is incorrect. All cases have liens by operation of law and have been submitted for financial institution data match.

The SCAO agrees that other enforcement activity should continue if cost effective after a bench warrant has been issued. However, the SCAO disagrees with the finding that other enforcement activity is not currently undertaken by the Program. The SCAO has provided information to demonstrate additional support enforcement activity. The SCAO also disagrees that a bench warrant can be issued for failure to appear for a court appointment.

FINDING

7. Child Support Arrearage Liens

State statutes did not provide the Program with a practical method of using liens on real and nonfinancial personal property to effect the collection of child support arrearages. As a result, the Program did not fully use the statutory lien provisions to assist in the collection of child support arrearages.

Section 552.625a of the *Michigan Compiled Laws* states that past due child support constitutes a lien against the real and nonfinancial personal property of the payer. The lien is effective at the time that the support is due and unpaid and shall continue until the amount of past due support is paid in full or the lien is terminated. To effectively use liens as a method of collecting past due child

support, the Program first must identify property of the payer* and perfect* the lien. However, an efficient method of identifying payer property on a Statewide basis did not exist.

In 80 (99%) of 81 child support cases reviewed, FOCs informed us that they did not attempt to perfect liens on payer property because of the inability to efficiently identify payer property.

Statutes that would require the Secretary of State and title companies to match titleholders in title transfer transactions with payers identified by the Program as having child support arrearages may provide one method of providing for the effective use of liens to help collect child support arrearages.

RECOMMENDATION

We recommend that the Program seek amendatory legislation to provide for a practical method of using liens on real and nonfinancial personal property to effect the collection of child support arrearages.

AGENCY PRELIMINARY RESPONSE

FIA

The Program agrees that statutes that require the Secretary of State and title companies to match title holders, in title transfer transactions, with payers identified by the program may provide a method to use liens effectively. However, the Program believes that additional study and analysis is required before the Program seeks such amendatory legislation.

SCAO

The SCAO agrees that new statutes may have the potential to improve the use of liens. The SCAO informed us that it spearheaded an effort to improve the use of liens on financial institutions and worked with the executive and legislative branches to amend the statutes respecting financial institution liens with significant positive results. The SCAO stated that the judiciary will readily cooperate with the executive and legislative branches in studying additional legislation.

* See glossary at end of report for definition.

FINDING

8. Credit Bureau Reporting

The Program had not implemented credit bureau reporting on a timely basis for NCPs with qualifying arrearages as required by federal and State statutes.

Credit bureau reporting may be an effective enforcement tool. Several other states have reported that child support collections have increased, thus enhancing Program effectiveness, as an NCP's credit rating and/or ability to obtain additional credit may be impaired when the NCP has a qualifying arrearage and is referred to the credit bureau.

Federal law 42 USC 666(a)(7) requires states to implement procedures to periodically report to credit bureaus the names of NCPs with arrearages and the amount of arrearages. Also, Section 552.512(1) of the *Michigan Compiled Laws* states that the Program shall report the arrearage amount for each NCP with an arrearage of two or more months to the credit bureau.

Our review of credit bureau reporting at 5 FOCs disclosed that the FOCs usually did not report NCPs with arrearages as required. Three FOCs informed us that they did not comply because CSES did not have the ability to accurately report delinquent NCPs. Another FOC informed us that the Judiciary was still in the process of reviewing the use of credit bureau reporting, and the other FOC stated that credit bureau reporting would not be available until a planned upgrade of MiCSES was implemented. Further, FIA IV-D Action Transmittal 2002-005 (dated March 22, 2002) stated that credit bureau reporting would be implemented as each county is converted to MiCSES. For these 5 FOCs, the Program did not refer 112 (99%) of 113 applicable cases (NCPs) that we reviewed to the credit bureau as required by statute.

Subsequent to the end of our audit fieldwork, FIA completed the implementation of MiCSES 2.4. The Program has stated that the certified system was to be capable of identifying cases that meet the State's criteria for reporting to the credit bureau, automatically generating a report of the arrearage information for reporting, generating an advance notice to the NCP, and monitoring whether the NCP responds to the advance notice.

RECOMMENDATION

We recommend that the Program implement credit bureau reporting on a timely basis for NCPs with qualifying arrearages as required by federal and State statutes.

AGENCY PRELIMINARY RESPONSE

FIA

The Program agrees with this recommendation and informed us that it has already complied. The Program stated that the audit period primarily covered the period October 1, 1997 through December 31, 2002, which is prior to the full Statewide implementation of MiCSES 2.4. The Program stated that reporting child support delinquencies to credit agencies is fully automated in MiCSES 2.4.

SCAO

The SCAO agrees that credit bureau reporting should be implemented but disagrees that it could have been implemented before MiCSES 2.4. The SCAO indicated that State law did not require implementation until certain conditions, which have only recently been met, occurred. The SCAO is not aware of any objective assessment of its cost-effectiveness as an enforcement tool in any state.

FINDING

9. Enforcement of Health Insurance Provisions in Child Support Orders

The Program did not ensure that FOCs consistently enforced health insurance provisions in child support orders.

Ensuring that children have health insurance benefits available is critical to their well-being. As of September 30, 2002, the Program reported that 297,000 children did not have health insurance coverage. Enforcing health insurance provisions in child support orders would help provide needed coverage, reduce federal and State costs if the children should have private insurance coverage rather than Medicaid if enrolled, and identify children for possible referral for other medical assistance programs (see Finding 13).

Federal regulation 45 *CFR* 303.31 states that all new or modified child support orders must include a provision requiring that the NCP obtain and maintain health insurance coverage for dependent children if available at a reasonable cost. Also, Section 552.605a of the *Michigan Compiled Laws* states that all new or modified

child support orders must include a provision requiring that one or both of the parents obtain and maintain health insurance coverage for the children if available at a reasonable cost through employment. In addition, federal regulation 45 *CFR* 303.31 states that the Program must take enforcement action to ensure that the parents comply with the health insurance provision in child support orders. Further, Section 552.511 of the *Michigan Compiled Laws* states that, if a parent fails to obtain or maintain health insurance for the child as ordered by the court, the Program shall initiate enforcement activity.

Our review disclosed that child support orders appropriately included a health insurance provision. However, our review of enforcement activities at the 5 FOCs we visited disclosed that FOCs usually did not take action to enforce the health insurance provision.

Four of the 5 FOCs informed us that their health insurance enforcement activities were limited to following up on inquiries from either the custodial parent or NCP. At the 5 FOCs, staff routinely did not identify health insurance policies of either the custodial parent or NCP to determine whether the dependent children had coverage, determine the availability to either the custodial parent or NCP of health insurance coverage at a reasonable cost, and if available, require the custodial parent or NCP to add any dependent children to their health insurance policy. We noted that 4 FOCs did not initiate necessary enforcement actions in 32 (48%) of 66 applicable cases. The other FOC took appropriate action to enforce the health insurance provision in all 22 of its applicable cases.

Subsequent to the end of our audit fieldwork, FIA completed the implementation of MiCSES 2.4. The Program has stated that the certified system was to automatically monitor compliance with and support the enforcement of medical insurance provisions contained in the support orders.

RECOMMENDATION

WE AGAIN RECOMMEND THAT THE PROGRAM ENSURE THAT FOCs CONSISTENTLY ENFORCE HEALTH INSURANCE PROVISIONS IN CHILD SUPPORT ORDERS.

AGENCY PRELIMINARY RESPONSE

FIA

The Program agrees with this recommendation and informed us that it has already complied. The Program stated that the audit period primarily covered the period

October 1, 1997 through December 31, 2002, which is prior to the full Statewide implementation of MiCSES 2.4. The Program stated that medical support enforcement is substantially improved with the implementation of MiCSES 2.4. The National Medical Support Notice is sent in response to each new hire hit or the entry of a new employer. MiCSES 2.4 will also report parents with employers but no insurance coverage reported.

SCAO

The SCAO agrees that the Program can improve enforcement of health insurance provisions of child support orders but disagrees that FOCs have not enforced insurance provisions. The SCAO stated that FOCs reported enforcing insurance provisions when requested.

FINDING

10. Incarcerated NCPs

The Program should develop an automated process to identify NCPs who are incarcerated or have been released to help ensure that child support orders are appropriately modified.

An automated process to obtain and utilize both incarceration and prison release information would increase Program effectiveness and efficiency and result in more equitable treatment of custodial parents, NCPs, and children. During our field visits, we noted that one FOC had developed a process to identify all NCPs adjudicated through its circuit court to facilitate the modification of child support orders.

Child support arrearages have increased significantly over the past four years. As of September 30, 2002, the total accumulated arrearage for the Program was approximately \$7.7 billion. As noted in Finding 5.a., the Program did not provide guidance for the consistent establishment and suspension of child support order amounts when NCPs did not have the ability to pay. Also, as noted in Finding 2, the Program obtains information from the Department of Corrections that identifies incarcerated individuals. However, the Program does not conduct an automated match and alert FOC staff of an NCP's incarceration or release. At the time of our audit, FOC staff had to access the Department of Correction information through the Michigan Data Warehouse if and when they conducted locate activities.

Our review of significant arrearage cases disclosed that 15 (16%) of 95 cases with arrearages in excess of \$5,000 were related to NCPs who were or had been incarcerated during our audit period. In 4 (27%) of these 15 cases, FOC staff were not aware that the NCP was or had been incarcerated. In these cases, the support orders were not modified to recognize the NCP's inability to pay while incarcerated or potential to pay after release. Also, this exception rate is conservative, as Program incarceration information does not include NCPs in federal prison or local jails.

RECOMMENDATION

We recommend that the Program develop an automated process to identify NCPs who are incarcerated or have been released to help ensure that child support orders are appropriately modified.

AGENCY PRELIMINARY RESPONSE

FIA

The Program agrees with this recommendation and has entered a system change request. The Program informed us that a hot-line ticket has been entered for an enhancement to MiCSES 2.4. However, the Program points out that 11 of the 15 cases mentioned in this finding duplicate the point made in Finding 3.c. Once the Program is aware of the fact that the NCP is incarcerated, the point made in Finding 3.c. comes into play. The Program stated that only 4 (4%) of 95 cases did not have complete information and 96% of the cases had complete information.

SCAO

The SCAO agrees with this recommendation. The SCAO stated that before the audit, there was no need for automation because case law allowed an adjustment when a payer was incarcerated. However, in *McLaughlin v McLaughlin*, released on February 21, 2003, the Court of Appeals held that incarceration credits previously allowed by *Pierce v Pierce* were prohibited. Therefore, the recommendation, although not applicable to the period covered in the audit, is timely.

FINDING

11. Case Closure

The Program needs to improve certain case closure processes.

Our review disclosed:

- a. FOCs usually did not identify and close child support cases and adjust arrearage balances for deceased and certain incarcerated NCPs.

Federal regulations 45 *CFR* 303.11(b)(2) and (5) state that child support cases may be closed when it is probable that arrearages will not be collected. For example, a case can be closed when the NCP or putative father* is deceased or when the NCP is incarcerated with no chance for parole.

We matched child support arrearage cases against the Department of Community Health's State death master tapes for the period January 1990 through December 2000 and the Department of Corrections' records for prisoners incarcerated in a State correctional facility as of May 2002. We identified 6,775 deceased NCPs and 538 NCPs who were incarcerated in a State correctional facility with life sentences that had child support arrearage balances of approximately \$208.1 million, and \$16.3 million, respectively. These cases represented approximately 3% (\$224.4 million) of child support arrearages in Michigan.

Failure to close these cases on a timely basis results in the overstatement of arrearage balances and the ineffective and inefficient use of limited Program resources.

- b. FOCs usually did not perform certain required actions prior to closing child support cases.

Federal regulation 45 *CFR* 303.11(c) requires that FOCs provide 60-day notification to the custodial parent prior to closing certain cases. In cases involving the death of the NCP, FIA Combined IV-D Policy Manual item 130 states that the FOC should determine if it is possible to file a claim against the NCP's estate.

We reviewed case closures at 3 of 5 FOCs visited. This review disclosed that the FOCs did not provide notification to the custodial parent in 13 (68%) of 19 applicable cases. Also, the FOCs did not attempt to determine if deceased NCPs had any assets in 6 (67%) of 9 applicable cases.

* See glossary at end of report for definition.

The Program's failure to take certain required actions prior to closing a case may result in not collecting additional child support. Federal regulation 45 *CFR* 303.11 and FIA Combined IV-D Policy Manual item 130 require the closure of child support cases in instances in which the collection of child support is no longer probable.

An audit report issued by the Office of Inspector General, U.S. Department of Health and Human Services (HHS) in February 2002 stated that child support programs nationwide did not provide required notice of closure in 25% of applicable cases.

RECOMMENDATION

We recommend that the Program improve certain case closure processes.

AGENCY PRELIMINARY RESPONSE

FIA

The Program agrees with this recommendation and informed us that MiCSES 2.4 has the ability to automatically generate the 60-day notice of closure (the SCAO and PA's Case Closure Notice) to the custodial parent or other recipients of IV-D services.

SCAO

The SCAO agrees with this recommendation and informed us that it issued two Administrative Memoranda in 2001 to improve the case closure processes. The SCAO stated that specific sections of those memoranda were dedicated to deceased NCPs and to incarcerated individuals. The SCAO also informed us that it created new tools to improve case closure and implemented a special case closure project beginning in June 2001 in Wayne, Macomb, Genesee, and St. Clair counties.

ADMINISTERING THE PROGRAM

COMMENT

Background: FIA is responsible for all functions leading to securing financial support and medical insurance coverage for children from their NCPs. In Michigan, the Program operates through the cooperative efforts of OCS, county PA offices, and county FOC offices. In addition, FIA is responsible for development and implementation

of the Statewide CSES, a federally mandated computerized case management and tracking system.

General Comments: During our audit fieldwork, FIA had not fully implemented a Statewide automated child support enforcement system on a timely basis as required by federal statute. As a result, FIA paid a penalty of approximately \$38.6 million for fiscal year 2000-01. Child support is considered one of the nation's safety net programs designed to help provide critically needed financial support to needy families with children. Without a fully operational child support enforcement system, FIA cannot effectively gather information necessary to locate parents, enforce child support orders, and cooperate in providing other state child support programs information to facilitate interstate location and enforcement efforts.

Federal law 42 *USC* 654.24 required each state to implement a statewide automated child support enforcement system by October 1, 1997. Federal law 42 *USC* 655(a)(4)(B) and OCSE Action Transmittal 98-22 require that an incremental penalty be imposed on states that failed to implement such a system on a timely basis. As of September 2001, the Program reported that all 83 counties had been converted to CSES but were not fully operational and requested federal certification contingent on full implementation prior to October 2003.

HHS suspended the assessment of additional penalties pending completion of its certification review requested by FIA in September 2001. HHS subsequently certified MICES 2.4 on November 24, 2003 and refunded \$34.8 million of the penalty assessed in fiscal year 2000-01.

Our audit disclosed that not all counties had established citizen FOC advisory committees (CAC) as required by statute. Effective January 1, 1997, Act 366, P.A. 1996, required the establishment of CACs in each county to provide services, including independent oversight of FOC activities, and to help address Program customer service concerns. State statutes do not require the State to provide funding to the counties to operate CACs.

Our review of the CACs disclosed that for the calendar year ended December 31, 2001, only 14 (17%) of the 83 counties had active CACs, and only 6 of these filed the required annual reports.

Audit Objective: To assess FIA's effectiveness in administering the Program.

Conclusion: We concluded that FIA was generally effective in administering the Program. Our assessment disclosed reportable conditions pertaining to staffing level standards (Finding 12), referral of uninsured children (Finding 13), referrals to State-provided work activities* (Finding 14), and CSES health insurance information (Finding 15).

FINDING

12. Staffing Level Standards

The Program had not developed staffing level standards for child support operations.

Although recommended in our prior audit report and agreed to by FIA, the Program did not develop staffing level standards for child support operations. Developing staffing level standards would help ensure that staffing levels are appropriately adjusted when changes occur within the Program.

Federal regulation 45 *CFR* 303.20 requires the State to maintain an organizational structure and sufficient resources to meet federal child support enforcement standards and provide for the administration and supervision of support enforcement functions. Also, Section 552.519 of the *Michigan Compiled Laws* (a section of the Friend of the Court Act) requires the State Court Administrative Office to develop and recommend guidelines for conduct, operations, and procedures of the FOC and its employees, including, but not limited to, caseload and staffing standards for employees who perform domestic relations mediation, investigation and recommendation, referee, enforcement, and clerical functions.

In fiscal year 2001-02, Michigan ranked fourth among states in total distributed child support collections per full-time equivalent staff. However, in our field visits to five county FOCs, FOC staff often stated that the lack of staff and resources caused many of the deficiencies identified in our review of Program operations and child support cases. Also, the Program has undergone significant changes, including implementation of CSES/MiCSES, MiSDU, and a centralized financial institution data match process, and the reassignment of support specialists from FIA county offices to Program operations. Therefore, a comprehensive review of staff duties and responsibilities is necessary to determine the number of staff required to complete critical Program requirements.

* See glossary at end of report for definition.

RECOMMENDATION

WE AGAIN RECOMMEND THAT THE PROGRAM DEVELOP STAFFING LEVEL STANDARDS FOR CHILD SUPPORT OPERATIONS.

AGENCY PRELIMINARY RESPONSE

FIA

The Program disagrees with this recommendation. The Program indicated that it went through a substantial reorganization in 2003 including the centralization of the support specialists. The Program stated that OCS staffing needs were analyzed and a determination of the appropriate level of staff based upon the available information was made. Certain other staffing levels do need to be analyzed and reviewed. However, this review and analysis could only begin to take place after MiCSES 2.4 became fully implemented Statewide.

SCAO

The SCAO agrees that updating the staff level standards would be useful but informed us that any effort to develop standards would not be cost-effective until changes are made in response to the implementation and enhancement of MiCSES 2.4.

FINDING

13. Referral of Uninsured Children

The Program should establish a process to refer uninsured children for possible inclusion in the State's MICHild* health insurance program.

Establishing a coordinated process in Michigan that keys on available Program information should improve the well-being of Michigan's uninsured children.

A key element in the well-being of Michigan's children is access to affordable health care. As of September 30, 2002, the Program reported that 297,000 children did not have health insurance coverage provided by either the custodial parent or NCP and were not a FIP and/or Medicaid recipient. MICHild, which was implemented in May 1998, is the State's broad-based health insurance program for children provided through the federal State Children's Health Insurance Program (SCHIP). At the time of our audit, a \$5 monthly premium covered all children in an eligible family.

* See glossary at end of report for definition.

A March 2002 HHS Office of Inspector General report of another state's SCHIP recommended improved coordination of information between agencies, legislation to allow for the exchange of financial information, modification of existing medical support orders to require enrollment in SCHIP, and modification of existing child support guidelines to provide standards for assessing NCPs' contributions.

RECOMMENDATION

We recommend that the Program establish a process to refer uninsured children for possible inclusion in the State's MICHild health insurance program.

AGENCY PRELIMINARY RESPONSE

FIA

The Program agrees with this recommendation and informed us that Michigan was included in a recent study/review done by the Office of Audit Services, Office of Inspector General, and U.S. Department of Health and Human Services on this very subject. The Program stated that the purpose of the study was to identify barriers to enrollment of children and involving NCPs in the Program. The Program also stated that the study/review draft report was issued June 11, 2003, and the response to the study/review recommendations was that the enforcement of medical support will be enhanced under MiCSES 2.4 with the expectation that there will be less need for the use of SCHIP.

SCAO

The SCAO agrees with this recommendation.

FINDING

14. Referrals to State-Provided Work Activities

The Program frequently did not refer unemployed and underemployed* NCPs to participate in State-provided work activities and monitor related FOC activities.

Program referrals for work participation are essential to help ensure that unemployed and underemployed NCPs are provided the opportunity to receive job training and employment assistance to enable them to be responsible for providing support to their children.

** See glossary at end of report for definition.*

The Program works in cooperation with the Michigan Department of Career Development to obtain job training and employment assistance for certain unemployed and underemployed NCPs who have child support arrearages. In accordance with federal law 42 USC 666(a)(15), the Program is required to refer these NCPs for participation in work activities to assist them in finding unsubsidized employment that will enable them to meet their child support obligations.

Our review of work activity referrals at 5 FOCs disclosed that 18 (49%) of 37 NCPs were not referred as required. Also, FOCs routinely did not submit required quarterly reports that summarized their referrals to work activities. For the three-month period ended September 30, 2002, Program reports disclosed that 34 (41%) of 83 counties, within the jurisdiction of 65 FOCs, did not report making work participation referrals. In addition, of the 49 counties that reported making work participation referrals, 20 (41%) did not provide the required corresponding financial information. Further, we noted no Program oversight of these required service and reporting activities.

The Michigan Child Support Leadership Council recognized the importance of job training and employment assistance in its September 2002 report by recommending the mandatory referral of all unemployed and underemployed NCPs for work participation. In response, the Governor and Chief Justice of the Supreme Court indicated that legislation was being considered.

RECOMMENDATION

We recommend that the Program refer unemployed and underemployed NCPs to participate in State-provided work activities and monitor related FOC activities.

AGENCY PRELIMINARY RESPONSE

FIA

The Program disagrees that referral of unemployed and underemployed NCPs to participate in State-provided work activities is a required Program activity. However, the Program indicated that it will refer appropriate NCPs as long as funding is available.

SCAO

The SCAO agrees that courts should make referrals to work assistance activities wherever reasonable. The Supreme Court and the SCAO implemented such a program several years ago in collaboration with the Michigan Department of Career Development. The SCAO indicated that in the past several years it has continued

to work on expanding its use. The SCAO also indicated that the Program has sought legislation (Act 206, P.A. 2004) to increase referrals, which will be effective February 28, 2005. This legislation will allow the court to find a person in contempt who fails to report to a work activity after being referred by the FOC, order the person to participate in a work activity, and incarcerate a person with the privilege of leaving to participate in a work activity. Unfortunately, there has recently been a cutback in the funds available for this program.

FINDING

15. CSES Health Insurance Information

The Program should ensure that it reports all required health insurance information to Medicaid.

Required FOC reporting of insurance information may help reduce Medicaid costs. Also, if FOCs use CSES to provide this information, the Program could more efficiently use its limited resources.

Federal regulation 45 *CFR* Section 303.30(b) states that the Program shall provide insurance information to the state Medicaid program in a timely manner by the most efficient and cost-effective means available, using manual or automated systems. FOC Policy 500 states that FOCs may report known health care coverage or lapse information for clients receiving medical assistance using either electronic or paper methods. CSES, through its insurance screen, is the electronic system that FOCs use to provide Medicaid with health care coverage and lapse data. The proper referral of health insurance information by FOCs could result in substantial cost savings for the State.

To determine whether FOCs used the health insurance screen to report insurance information electronically to Medicaid, we analyzed a CSES data extraction. This extraction identified the number of active cases with insurance information as of September 30, 2001 and September 30, 2002. From this extraction, we determined that 26 (41%) of 64 FOCs, using a common version of CSES, had a low number of active cases with insurance information when compared to the total number of child support cases. Also, these 26 FOCs had little or no change in active cases with health insurance information between September 30, 2001 and September 30, 2002. The lack of change in these cases indicates that these FOCs were not reporting required insurance information electronically to Medicaid. We

could not determine whether these 26 FOCs manually report insurance information because Medicaid did not respond to our confirmation request.

RECOMMENDATION

We recommend that the Program ensure that it reports all required health insurance information to Medicaid.

AGENCY PRELIMINARY RESPONSE

FIA

The Program agrees with this recommendation and has issued a joint request for proposal with the Department of Community Health to locate insurance coverage for individuals who are on Medicaid.

SCAO

The SCAO agrees with this recommendation.

THIS PAGE INTENTIONALLY BLANK

SUPPLEMENTAL INFORMATION

STATEWIDE CHILD SUPPORT PROGRAM
Family Independence Agency
Total Arrearage by County*
For the Fiscal Years Ended September 30

County	2002	2001	2000	1999	1998
Alcona	2,195,539	2,069,284	1,822,095	1,726,983	1,662,755
Alger	1,973,750	1,918,932	1,848,186	1,775,688	1,536,658
Allegan	23,438,419	22,937,002	22,828,421	18,985,278	13,163,939
Alpena	10,802,268	10,021,526	9,183,340	315,179	7,536,754
Antrim/Grand Traverse/Leelanau	23,152,834	17,880,558	9,962,846	11,353,453	29,506,594
Arenac	4,707,325	4,581,411	4,301,539	3,972,088	3,425,761
Baraga	1,557,455	1,402,575	1,236,332	1,159,248	1,176,724
Barry	15,956,042	14,949,728	13,800,945	12,684,967	10,919,062
Bay	34,156,477	31,702,033	30,125,068	27,713,384	25,981,017
Benzie	3,677,881	3,140,359	2,828,591	2,694,038	2,250,881
Berrien	123,716,101	120,067,645	109,341,668	103,862,106	85,026,061
Branch	12,906,406	12,988,794	12,493,947	12,417,008	9,229,494
Calhoun	118,306,994	107,846,443	95,846,533	83,649,518	66,057,146
Cass	21,072,727	21,358,860	20,082,504	18,202,709	14,505,431
Charlevoix	4,523,891	3,993,314	3,544,743	3,206,469	2,972,144
Cheboygan	7,451,567	6,740,121	5,994,321	5,305,122	4,626,659
Chippewa	8,098,699	7,327,356	6,741,460	6,155,306	5,366,808
Clare	7,457,784	7,802,421	7,466,499	6,286,604	5,431,148
Clinton	9,512,332	8,666,428	8,782,619	8,227,982	6,964,177
Crawford	4,459,885	4,155,061	3,910,584	3,517,609	2,976,614
Delta	7,398,558	7,213,445	6,330,908	5,433,791	5,750,269
Dickinson	4,480,572	4,127,239	4,037,184	3,433,587	2,819,564
Eaton	41,702,691	39,887,185	36,487,696	33,021,597	28,084,236
Emmet	4,057,624	4,102,966	3,412,604	3,839,752	3,871,491
Genesee	579,526,887	517,760,858	507,721,932	138,013,481	134,135,262
Gladwin	5,066,257	4,558,585	4,238,455	3,865,216	3,332,433
Gogebic	2,515,799	2,537,593	2,630,418	2,471,540	1,906,326
Gratiot	7,923,576	7,436,745	7,173,204	6,696,302	6,512,193
Hillsdale	7,463,206	7,058,264	6,786,663	6,358,611	5,677,066
Houghton	4,071,799	3,587,251	3,551,180	3,159,014	3,039,401
Huron	5,920,512	5,645,926	5,302,971	4,991,935	4,756,902
Ingham	159,622,215	147,634,376	46,323,780	121,776,504	97,659,053
Ionia	20,460,334	21,252,774	19,617,778	16,501,110	12,772,074
Iosco	8,279,398	7,681,155	7,205,459	6,567,109	5,724,752
Iron	1,739,124	1,669,113	1,499,396	1,336,247	1,282,109
Isabella	6,027,384	5,865,428	6,345,581	5,551,037	5,407,756
Jackson	95,044,249	87,815,612	76,935,393	71,859,921	66,937,335
Kalamazoo	93,750,141	87,900,531	81,752,710	39,896,324	70,023,191
Kalkaska	3,772,723	3,532,686	3,289,906	2,911,570	2,698,033
Kent	373,937,121	335,342,764	292,930,057	256,453,581	199,288,299
Keweenaw	106,679	95,922	97,830	88,522	98,569
Lake	3,926,444	3,436,736	3,005,266	2,787,384	2,180,105
Lapeer	35,364,228	32,962,057	29,584,659	27,742,754	25,105,761
Lenawee	49,909,744	49,919,433	48,010,574	37,024,672	32,863,856
Livingston	34,808,908	31,766,716	30,143,338	27,891,364	23,769,939
Luce	1,951,440	1,817,907	1,762,197	1,751,606	1,671,817
Mackinac	1,882,545	1,785,344	1,895,358	2,013,837	1,964,817
Macomb	289,281,988	260,407,235	83,676,297	206,630,117	201,977,821
Manistee	7,278,471	7,104,586	6,060,273	5,654,665	5,106,643
Marquette	9,185,947	9,210,469	8,882,314	8,752,018	7,659,889
Mason	9,771,497	8,559,553	7,641,243	6,262,527	5,375,848
Mecosta	9,894,175	8,643,664	7,777,340	6,863,193	5,847,639

This schedule continued on next page.

STATEWIDE CHILD SUPPORT PROGRAM
Family Independence Agency
Total Arrearage by County*
For the Fiscal Years Ended September 30
Continued

County	2002	2001	2000	1999	1998
Menominee	4,255,627	4,277,333	3,910,318	3,786,042	2,940,191
Midland	9,921,802	9,546,464	8,747,508	8,550,428	8,178,877
Missaukee	2,265,758	1,896,280	1,862,001	1,745,651	-
Monroe	73,110,699	73,551,264	71,073,394	65,022,300	52,132,959
Montcalm	25,485,701	25,377,818	22,131,332	19,896,985	16,942,340
Montmorency	2,129,381	2,019,228	1,918,645	1,771,609	1,525,056
Muskegon	115,609,927	106,002,249	91,419,811	77,521,282	62,416,521
Newaygo	15,850,319	14,871,659	13,797,853	12,077,197	10,310,704
Oakland	493,944,264	457,191,197	470,086,867	409,418,148	251,494,451
Oceana	8,296,759	7,647,438	7,146,337	6,239,537	5,508,561
Ogemaw	6,672,353	6,274,448	5,803,892	5,664,759	4,977,795
Ontonagon	843,210	824,219	754,453	541,052	621,866
Osceola	7,347,253	6,699,095	6,035,011	5,905,198	4,816,041
Oscoda	2,447,335	2,465,965	2,430,238	2,113,569	1,533,017
Otsego	5,240,871	4,524,817	4,154,803	3,744,659	3,048,107
Ottawa	48,090,778	42,404,937	36,701,659	32,060,839	26,874,225
Presque Isle	2,808,885	2,554,799	2,199,305	1,886,189	1,661,289
Roscommon	6,092,093	5,834,563	5,283,789	4,945,681	4,472,219
Saginaw	121,940,658	118,435,153	105,853,895	50,998,888	46,489,549
Sanilac	9,998,756	8,910,724	8,474,305	7,628,922	5,974,557
Schoolcraft	2,541,682	2,378,300	2,031,419	1,921,704	1,681,709
Shiawassee	32,388,159	29,166,329	26,726,997	24,626,758	22,536,509
St. Clair	75,495,799	53,074,517	46,351,433	41,811,018	42,063,769
St. Joseph	21,978,633	20,775,718	18,464,748	16,827,130	13,852,288
Tuscola	14,056,267	12,878,395	11,845,549	11,255,553	10,680,323
Van Buren	41,982,607	40,245,150	38,165,839	37,168,271	34,153,213
Washtenaw	199,537,376	179,909,033	162,749,653	137,456,489	85,573,462
Wayne	3,989,159,118	4,032,519,271	3,347,731,699	3,720,269,523	1,425,577,905
Wexford	9,525,637	9,001,227	8,680,596	8,056,388	8,111,996
Totals	<u>\$7,674,264,321</u>	<u>\$7,411,127,561</u>	<u>\$6,256,785,552</u>	<u>\$6,121,723,399</u>	<u>\$3,431,765,775</u>

* IV-D cases

Source: Child Support Enforcement Annual Data Reports.

STATEWIDE CHILD SUPPORT PROGRAM
Family Independence Agency
Friend of the Court Caseload/Staff by County
As of the Calendar Years Ended December 31

COUNTY	2002			2001			2000		
	Staff	Caseload*	Caseload/ Staff	Staff	Caseload*	Caseload/ Staff	Staff	Caseload*	Caseload/ Staff
Alcona/Alpena/Montmorency/Presque Isle	20.7	6,032	291	21.5	5,824	271	19.4	3,724	192
Alger	2.3	683	297	2.1	633	301	2.0	445	223
Allegan	16.6	7,907	476	16.9	7,249	429	17.3	5,077	293
Antrim/Grand Traverse/Leelanau	16.1	7,986	496	17.6	7,087	403	16.7	5,712	342
Arenac/Ogemaw/Roscommon	15.0	6,421	428	14.5	5,943	410	14.9	3,819	256
Baraga/Houghton/Keweenaw	7.2	2,784	387	51.9	2,705	52	6.1	1,970	323
Barry	11.5	5,110	444	12.1	4,962	410	11.2	3,564	318
Bay	23.6	9,769	414	24.8	9,217	372	22.4	6,736	301
Benzie	2.7	1,446	536	2.3	1,252	544	2.2	886	403
Berrien	41.4	20,484	495	37.0	19,683	532	34.4	17,213	500
Branch	12.8	4,376	342	12.2	4,197	344	11.1	4,010	361
Calhoun	57.5	19,854	345	49.6	19,278	389	45.2	16,755	371
Cass	15.1	5,432	360	15.0	5,487	366	12.7	4,092	322
Charlevoix	8.2	2,066	252	8.4	1,738	207	7.8	1,197	153
Cheboygan	6.3	2,418	384	9.9	2,283	231	5.8	1,365	235
Chippewa	5.3	2,578	486	5.4	2,430	450	6.0	1,737	290
Clare	5.1	3,642	714	5.1	3,508	688	4.6	2,027	441
Clinton	10.8	4,473	414	10.8	3,703	343	7.1	2,634	371
Crawford/Kalkaska/Otsego	15.5	5,765	372	15.2	5,403	355	14.7	3,644	248
Delta	11.5	3,101	270	11.8	2,958	251	10.5	2,126	202
Dickinson	3.9	1,978	507	4.3	1,907	443	4.2	1,502	358
Eaton	17.2	10,381	604	17.3	9,349	540	16.2	6,404	395
Emmet	7.2	2,463	342	6.4	2,291	358	6.1	1,422	233
Genesee	103.5	53,935	521	93.1	47,477	510	77.6	42,103	543
Gladwin	5.0	2,462	492	4.9	2,316	473	5.0	1,323	265
Gogebic	4.4	1,214	276	4.2	1,120	267	3.0	793	264
Gratiot	11.5	3,817	332	8.4	3,559	424	7.4	6,848	925
Hillsdale	10.3	4,474	434	10.8	4,278	396	10.7	3,759	351
Huron	4.5	2,541	565	4.5	2,377	528	4.3	1,687	392
Ingham	54.9	28,217	514	56.6	22,204	392	59.6	24,581	412
Ionia	13.9	7,216	519	15.6	7,416	475	10.5	5,627	536
Iosco/Oscoda	9.4	4,342	462	9.3	4,145	446	6.8	2,729	401
Iron	4.0	812	203	2.8	763	273	2.5	520	208
Isabella	9.8	4,432	452	9.8	4,246	433	9.9	2,623	265
Jackson	42.0	15,615	372	42.1	14,936	355	40.1	12,473	311
Kalamazoo	50.8	22,021	433	48.7	21,423	440	41.7	16,559	397
Kent	95.0	50,580	532	98.1	47,589	485	97.8	36,450	373
Lake	5.1	1,616	317	5.5	1,478	269	4.4	753	171
Lapeer	21.2	7,610	359	24.7	7,237	293	25.7	5,608	218
Lenawee	22.3	8,686	390	23.6	8,395	356	22.2	7,274	328
Livingston	19.2	7,868	410	19.1	7,345	385	18.4	5,796	315
Luce	2.2	615	280	2.1	598	285	2.0	398	199
Mackinac	2.6	782	301	2.9	729	251	3.3	591	179
Macomb	101.9	38,488	378	101.5	33,571	331	92.0	27,150	295
Manistee	4.9	2,340	478	5.3	2,161	408	5.2	1,428	275
Marquette	10.5	4,170	397	10.3	4,100	398	8.6	2,978	346
Mason	5.8	2,988	515	5.8	2,827	487	9.3	1,952	210
Mecosta	6.2	4,617	745	6.3	4,321	686	6.0	2,239	373
Menominee	4.6	2,027	441	4.6	1,960	426	4.2	1,462	348

This schedule continued on next page.

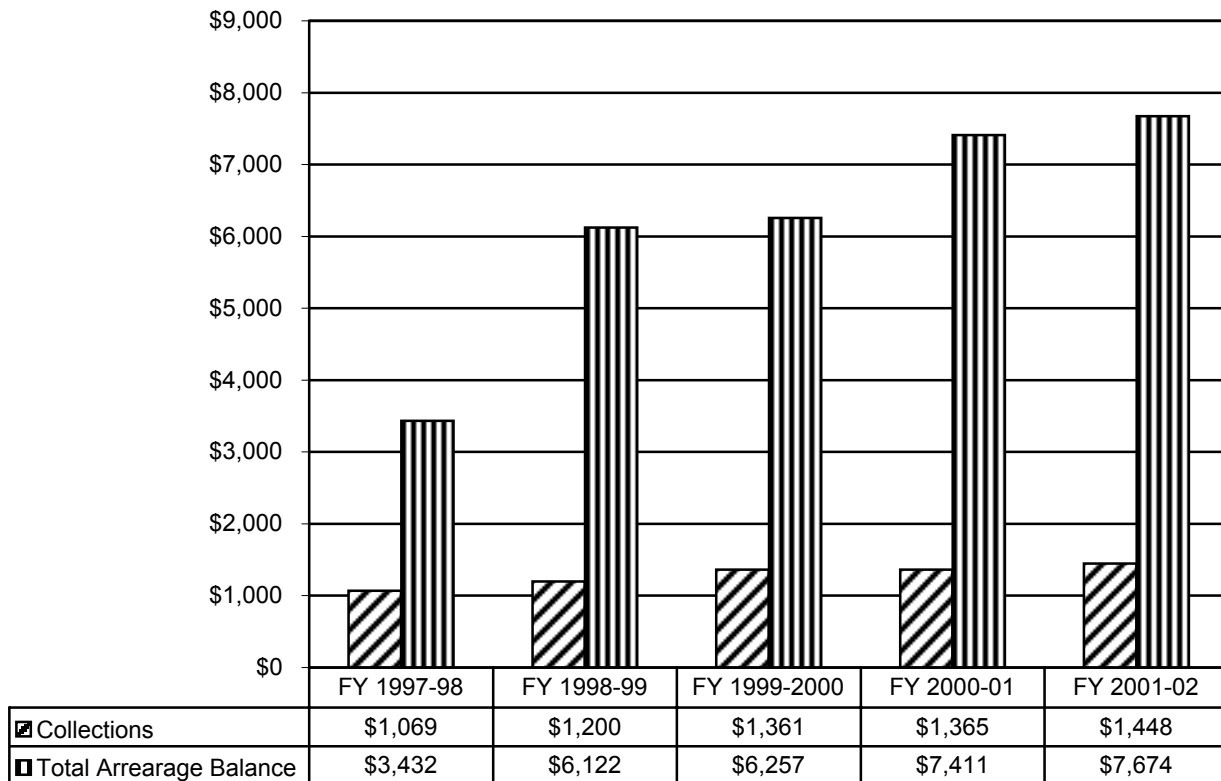
STATEWIDE CHILD SUPPORT PROGRAM
Family Independence Agency
Friend of the Court Caseload/Staff by County
As of the Calendar Years Ended December 31
Continued

COUNTY	2002			2001			2000		
	Staff	Caseload*	Caseload/ Staff	Staff	Caseload*	Caseload/ Staff	Staff	Caseload*	Caseload/ Staff
Midland	15.0	5,502	367	14.8	5,154	348	15.3	3,821	250
Missaukee/Wexford	11.5	5,216	454	11.9	4,663	392	11.3	3,217	285
Monroe	35.3	11,688	331	35.1	11,037	314	32.9	9,116	277
Montcalm	11.5	8,232	716	11.3	7,720	683	9.8	5,460	557
Muskegon	40.8	24,267	595	43.0	23,198	539	45.7	19,203	420
Newaygo/Oceana	15.6	8,701	558	14.6	8,421	577	13.6	5,458	401
Oakland	111.9	52,110	466	104.4	47,901	459	115.0	43,265	376
Ontonagon	4.0	572	143	3.7	547	148	3.4	410	121
Osceola	5.5	3,079	560	5.6	2,860	511	5.6	1,784	319
Ottawa	30.1	14,939	496	28.8	14,055	488	24.2	10,778	445
Saginaw	53.2	24,805	466	56.3	23,576	419	39.0	22,103	567
Sanilac	7.5	4,159	555	7.5	3,849	513	7.4	2,691	364
Schoolcraft	3.2	867	271	2.8	820	293	2.9	571	197
Shiawassee	11.1	6,925	624	11.6	6,497	560	10.8	4,298	398
St. Clair	32.3	13,844	429	32.9	11,513	350	30.1	7,957	264
St. Joseph	11.6	5,584	481	10.8	5,256	487	10.0	4,056	406
Tuscola	20.4	6,321	310	19.6	6,327	323	17.2	5,018	292
Van Buren	22.1	8,772	397	23.8	8,659	364	21.6	6,347	294
Washtenaw	51.5	19,971	388	49.8	18,223	366	48.3	16,432	340
Wayne	395.1	205,066	519	272.2	257,644	947	330.0	230,761	699
Totals	<u>1,848.2</u>	<u>851,254</u>	<u>461</u>	<u>1,753.2</u>	<u>855,578</u>	<u>488</u>	<u>1,670.9</u>	<u>716,511</u>	<u>429</u>

* Caseload amounts represent only cases for which child support orders have been established.

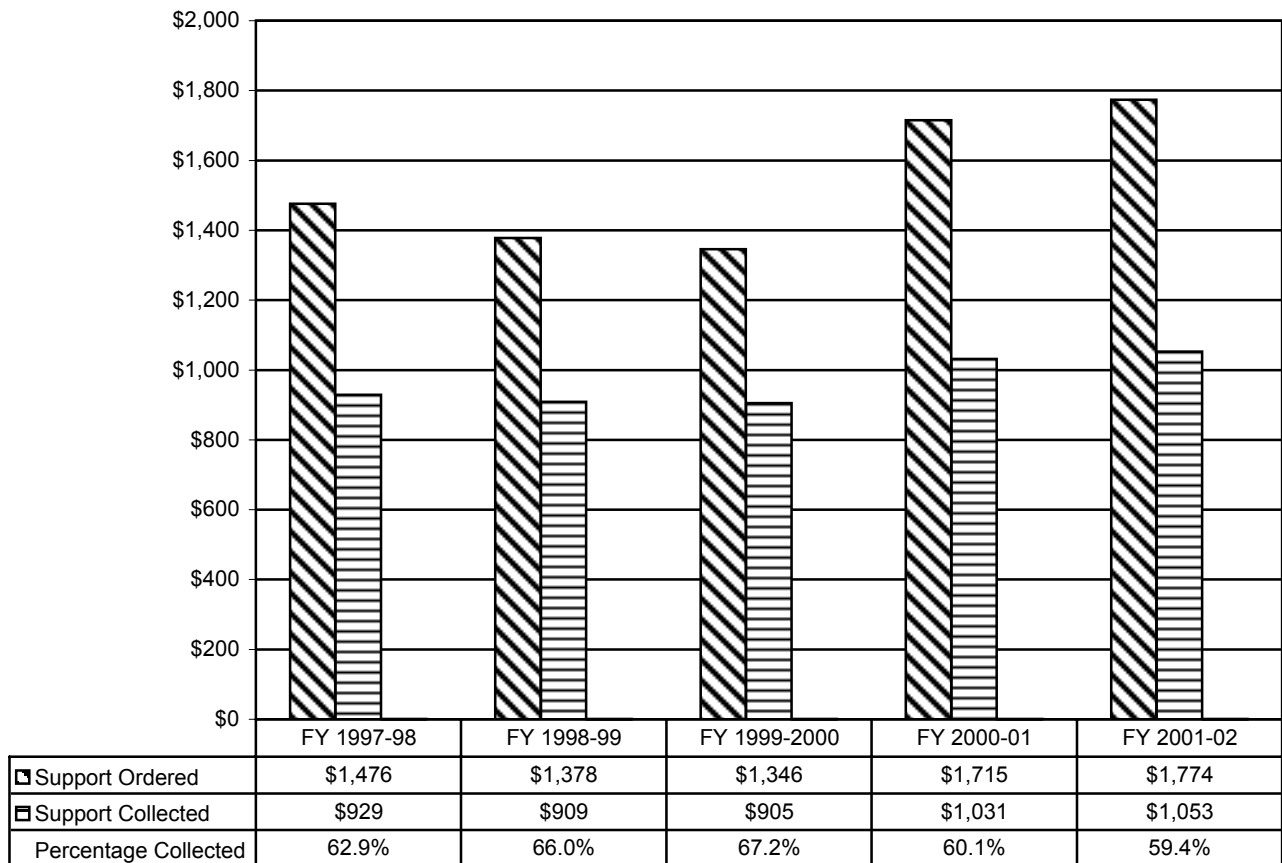
Source: Child Support Enforcement Annual Data Reports, Cooperative Reimbursement Contracts.

Statewide Child Support Program
Total Annual Child Support Collections and
Cumulative Arrearage Balances (In Millions)
For the Five Fiscal Years Ended September 30, 2002



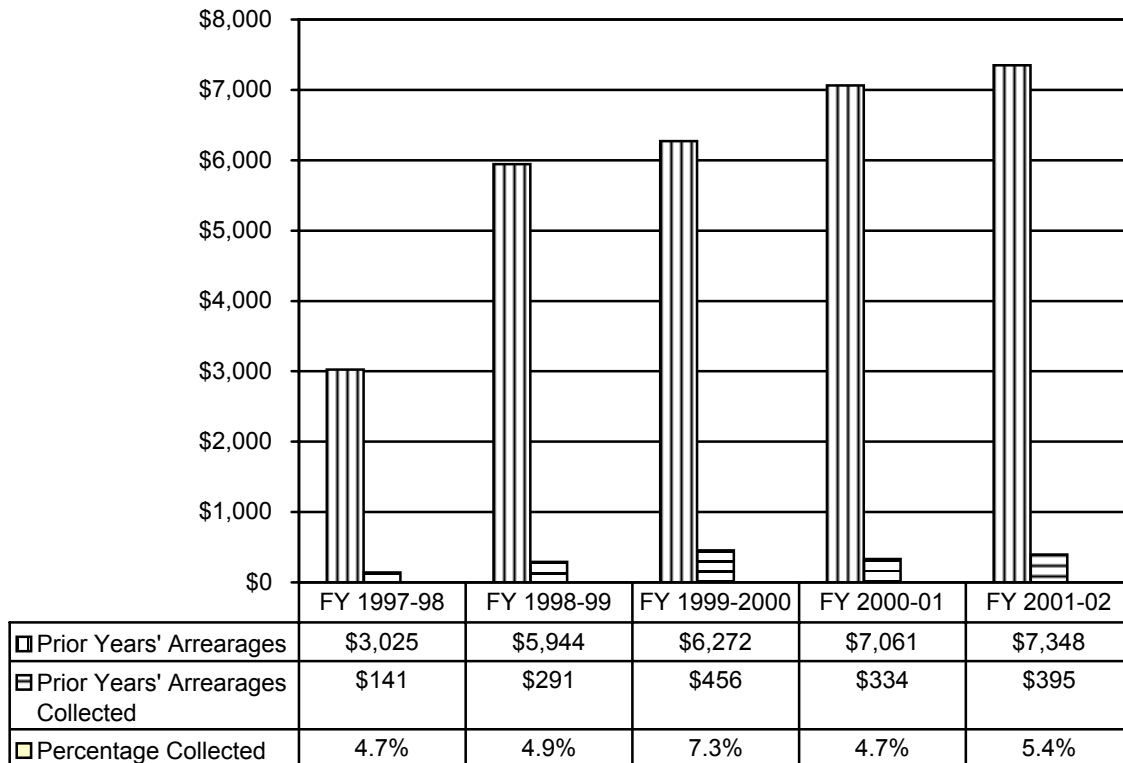
Source: Child Support Enforcement Annual Data Reports.

Statewide Child Support Program
Total Current Year Child Support Ordered and Collected (In Millions)
For the Five Fiscal Years Ended September 30, 2002



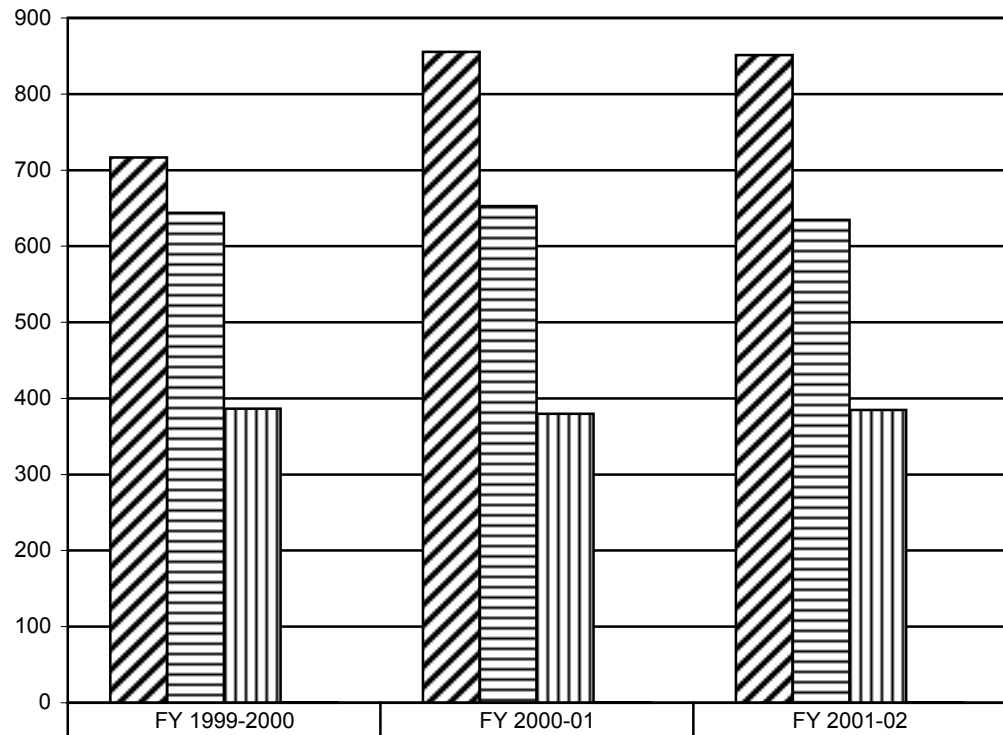
Source: Child Support Enforcement Annual Data Reports.

Statewide Child Support Program
Total Prior Years' Child Support Arrearages and Collections
(In Millions) in Each Year
For the Five Fiscal Years Ended September 30, 2002



Source: Child Support Enforcement Annual Data Reports.

Statewide Child Support Program
Total Child Support Cases, Arrearage Cases, and Arrearage Cases
With Payments (In Thousands)
For the Three Fiscal Years Ended September 30, 2002



	FY 1999-2000	FY 2000-01	FY 2001-02
■ Total Cases With Orders Established	717	856	851
▨ Arrearage Cases	644	653	635
▤ Arrearage Cases With Payments	387	380	385
Percentage of Arrearage Cases With Payments	60.1%	58.2%	60.6%

Source: Child Support Enforcement Annual Data Reports.

GLOSSARY

Glossary of Acronyms and Terms

arrearages	Past due, unpaid child support owed by the noncustodial parent.
CAC	citizen FOC advisory committee.
CFR	<i>Code of Federal Regulations.</i>
child support	Financial support paid by a parent to help support a child or children of whom the parent does not have custody. Child support can be entered into voluntarily or ordered by a court.
child support enforcement services	Any action or activity provided by FIA, PAs, or FOCs regarding child support, including locate services, paternity establishment, child support order establishment, receipt of and distribution of child support, review of child support orders for propriety, and use of collection tools for arrearage cases.
child support order	A written court order that provides for the periodic payment of money for the support of a child. Orders may also include other provisions, such as health insurance, childcare, confinement expenses, custody, and parenting time.
complaint date	Date that the formal written document is filed in a court whereby the plaintiff sets forth the names of the parties, the allegations, and the request for relief sought; sometimes called the "petition date."
confinement expense	Hospitalization and birthing costs of the mother.
CSES	Child Support Enforcement System.
custodial parent	The parent who has primary care, custody, or control over a child.

effectiveness	Program success in achieving mission and goals.
enforcement tool	Methods used and actions taken for collecting child support or enforcing other provisions of a child support order.
FIA	Family Independence Agency.
FIP	Family Independence Program.
FPLS	Federal Parent Locator Service.
Friend of the Court (FOC)	An operational arm of the circuit court.
HHS	U.S. Department of Health and Human Services.
IV-A	Refers to Title IV-A of the federal Social Security Act covering the federal-state public assistance program.
IV-D	Refers to Title IV-D of the federal Social Security Act, which requires that each state create a program to locate noncustodial parents, establish paternity, establish and enforce child support obligations, and collect and distribute support payments. All recipients of public assistance (IV-A or TANF cases) are referred to their respective state's IV-D child support program. States must also accept applications from families who do not receive public assistance, if so requested, to assist in collection of child support.
IV-D case	A child support case in which at least one of the parties, either the custodial parent or the noncustodial parent, has requested or received IV-D services from the state IV-D agency.
locate	Activities to find an alleged father to determine paternity or a noncustodial parent to establish or enforce a child support order.

MAP	management assistance project.
Michigan Medical Assistance Program (Medicaid)	Created under Title XIX of the Social Security Act, this Program provides medical services to indigent persons in the general categories of families with dependent children; the aged, blind, and disabled; and other targeted groups that meet income eligibility standards.
Michigan State Disbursement Unit (MiSDU)	The single site designated in Michigan where all child support payments will be processed. All withheld child support payments will be sent to this central location for distribution and disbursement.
MiChild	A health insurance program for uninsured children of Michigan's working families. The program was implemented on May 1, 1998 and provides coverage to children under age 19 in families with incomes up to 200% of the federal poverty level. Program services are provided by many health maintenance organizations and other insurance plans throughout Michigan.
MiCSES	Michigan Child Support Enforcement System.
noncustodial parent (NCP)	The parent of a minor child who has a financial obligation for the support of the minor child; usually the parent who pays child support; also known as the "absent parent."
non-TANF case	A child support case of a client who does not receive TANF or no longer receives TANF but continues to receive child support enforcement services.
Office of Child Support (OCS)	The designated IV-D child support agency in the State of Michigan.
Office of Child Support Enforcement (OCSE)	The agency within the U.S. Department of Health and Human Services that is responsible for implementing the child support program.

PA	prosecuting attorney.
paternity	Legal determination of fatherhood.
payee	The person or agency to whom child support is owed; this is usually the custodial parent for non-TANF cases or the State of Michigan and the federal government for TANF cases.
payer	The person who pays child support; this is usually the noncustodial parent.
perfect	The process of ensuring that the lien holder is correctly identified on the title.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA)	Commonly known as the federal Welfare Reform Act of 1996, PRWORA initiated significant changes to the child support program to improve the states' ability to locate putative fathers, establish child support, collect child support, locate noncustodial parents owing significant arrearages, and collect significant arrearage balances through a variety of federally sanctioned tools.
putative father	One who is presumed to be the father of an illegitimate child, i.e., the supposed father.
reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.

SCAO	State Court Administrative Office.
SCHIP	federal State Children's Health Insurance Program.
service date	Delivery date of a writ or summons to a party for the purpose of obtaining jurisdiction over that party.
State-provided work activities	As defined in section 407 of PRWORA, state-provided work activities could include: unsubsidized employment; subsidized private sector employment; subsidized public sector employment; on-the-job training; job search and job readiness assistance; community service programs; vocational educational training; job skills training directly related to employment; education directly related to employment; and satisfactory attendance at secondary school or in a course of study leading to a certificate of general equivalence.
tax offset	Intercepting federal and/or State income tax refunds for child support arrearages and/or confinement expense balances.
Temporary Assistance to Needy Families (TANF)	Time-limited public assistance payments made to poor families established by the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). Applicants for TANF benefits are automatically referred to their state IV-D agency in order to establish paternity and child support for their children from the noncustodial parent. This allows the state to recoup or defray some of its public assistance expenditures with funds from the noncustodial parent.
underemployed	A noncustodial parent working less than 25 hours per week who is unable to meet his or her support obligation.
USC	<i>Code of Laws of the United States.</i>